

Message Text

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R 222207Z APR 74

FM SECSTATE WASHDC

TO AMEMBASSY SANTIAGO

AMEMBASSY BUENOS AIRES

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PASS TO AMBASSADOR EBERLE'S GROUP

FOLLOWING REPEAT PARIS 9634 ACTION SECSTATE INFO GENEVA

USUN OECD PARIS 20 APR

QUOTE

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E.O. 11652: N/A

TAGS: ETRD, GATT

SUBJECT: INTERNATIONAL DISCIPLINE FOR SHORT SUPPLY
ACTIONS

REF: STATE 74777

1. SUMMARY: IN INFORMAL DISCUSSIONS WITH GOF OFFICIALS
ON SHORT SUPPLY ACTIONS, FOLLOWING IMPRESSIONS EMERGED.
ALTHOUGH GOF HAS NOT DEVELOPED ITS POSITION, IT REVEALED
BIAS AGAINST USE OF OBJECTIVE CRITERIA AND FORMAL ARBIT-
RATION IN RESOLVING SHORT SUPPLY DIFFICULTIES. GOF OFFI-
CIALS SHOWED CLEAR PREFERENCE TO HANDLE SUCH
PROBLEMS IN EXISTING BODIES SUCH AS OECD AND GATT.
IT ALSO SHOWED SENSITIVITY VIS-A-VIS ATTITUDES LDC

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SUPPLIERS AND PREFERENCE FOR LONG-TERM BILATERAL

CONTRACTS WITH SUCH COUNTRIES. THE VIEW WAS ALSO EXPRESSED THAT PRESENT SHORT SUPPLY SITUATION IN RAW MATERIALS MAY SOON END. END SUMMARY.

2. EMBASSY OFFICER HELD INFORMAL DISCUSSIONS WITH GOF OFFICIALS TORDJMAN AND GUYOT OF TRADE POLICY SECTION (DREE) OF FINANCE MINISTRY. QUESTIONS RAISED REFTEL WERE REVIEWED AND COPY LEFT FOR FURTHER DISCUSSIONS.

3. GOF OFFICIALS STRESSED THAT GOF HAS NOT STUDIED MATTER OF INTERNATIONAL DISCIPLINE IN SHORT SUPPLY SITUATIONS IN ANY DEPTH AND THEREFORE HAS TAKEN NO FIRM POSITION ON THESE ISSUES. THEY ALSO SAID THAT GOVERNMENT'S POLICY-MAKING MACHINERY HAS BEEN SLOWED DOWN BY APPROACH OF PRESIDENTIAL ELECTIONS. THEY WERE ALSO OF OPINION THAT GOF POLICIES ON THIS AND OTHER ISSUES WOULD BE EFFECTED BY THE RESULTS OF NEXT MONTH'S ELECTION. LAST, IT WAS POINTED OUT THAT EUROPEAN COMMUNITY DISCUSSIONS OF THESE ISSUES HAD HARDLY BEGUN.

4. CONCERNING THE POINTS RAISED IN REFTEL, TORDJMAN SAID THAT IN PRINCIPLE FRENCH FAVORED A CODE OF GOOD CONDUCT, BUT THAT THEY FELT IT WOULD BE EXTREMELY DIFFICULT TO AGREE ON MECHANISMS AND PROCEDURES. IN ATTEMPTING TO DEVELOP AN INTERNATIONAL DISCIPLINE, THE GOF WILL DEFINITELY PURSUE A "CAUTIOUS" POLICY. THE GOF, HE SAID, WILL PROBABLY OPPOSE ESTABLISHMENT OF OBJECTIVE CRITERIA IN SHORT SUPPLY SITUATIONS AND FORMALIZED ARBITRATION PROCEDURES FOR THE SETTLEMENT OF DISPUTES. THE FRENCH PREFER THE USE OF EXISTING MACHINERY TO EXAMINE SHORT SUPPLY PROBLEMS, I.E., THE USE OF THE OECD AND ALSO THE GATT TO STUDY THE PROBLEM AND DEVELOP PROCEDURES TO HANDLE SUCH SITUATIONS. THE OFFICIALS AGREED THAT THE MULTILATERAL TRADE NEGOTIATIONS ALSO PROVIDED A FORUM TO STUDY THESE ISSUES. IN DEVELOPING GUIDELINES, THE OFFICIALS STRESSED THAT

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IT WAS ESSENTIAL THAT THE EC BE IN COMPLETE AGREEMENT ON ANY NEW MECHANISMS BEFORE A FORMAL AGREEMENT WAS ENTERED INTO.

5. THE OFFICIALS STATED FRANKLY THAT IT IS MOST IMPORTANT THAT FRANCE MAINTAIN ITS GOOD RELATIONS WITH THE LDC EXPORTING COUNTRIES AND THAT IT WAS WILLING TO "PAY MORE" TO MAINTAIN AND DEVELOP ITS

INFLUENCE. IT IS PREPARED TO ENTER INTO LONG-TERM CONTRACTS TO PROVIDE GUARANTEED ACCESS AND MARKETS TO THE LDC'S. IN THIS CONTEXT, TORDJMAN REFERRED TO JOBERT'S SPEECH LAST WEEK AT THE UNGA AND HOW WELL HIS SPEECH WAS RECEIVED BY THE LDC PARTICIPANTS.

6. OFFICIALS STATED THAT DISCUSSIONS GOING ON WITHIN GOVERNMENT REVEAL GENERALLY HELD VIEW THAT SHORT SUPPLY PROBLEMS COULD BE OF TEMPORARY NATURE. GOF EXPERTS BELIEVE THAT SITUATION SIMILAR TO RAW MATERIALS CRISES OF 1921 AND 1951, I.E., THAT RATHER THAN A REAL SUPPLY SHORTAGE, THE SITUATION HAS BEEN CREATED BY WORLDWIDE INFLATION, SPECULATION IN RAW MATERIALS, AND STOCKPILING. MULTINATIONAL CORPORATIONS AND JAPANESE LARGELY RESPONSIBLE FOR SITUATION WHICH STARTED IN MID-1972 AND ACCENTUATED IN 1973 BY SOVIET WHEAT DEAL AND OTHER HEAVY PURCHASES OF RAW MATERIAL. SINCE PREVIOUS CRISES TOOK TWO YEARS TO RUN THEIR COURSE, MID-1974 SHOULD BRING AN END TO PRESENT SITUATION AND LDC'S WOULD DO WELL TO OBTAIN LONG-TERM CONTRACTS BEFORE PRICES FALL. IF THIS ANALYSIS CORRECT, FRENCH SAY NEED FOR FORMALIZED INTERNATIONAL DISCIPLINE WILL SOON DISAPPEAR. THIS, THEY BELIEVE, WILL HAPPEN UNLESS WORLD MONETARY DISORDER IS ALLOWED TO CONTINUE, PETROLEUM PRODUCING COUNTRIES' HIGH LIQUIDITY LEADS TO CONTINUING SPECULATION AND IF RAW MATERIALS' PRODUCERS ARE ABLE TO ORGANIZE CARTELS, A SITUATION WHICH THEY BELIEVE UNLIKELY TO HAPPEN.
IRWIN UNQUOTE KISSINGER

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